

Construction

A Light Touch Into ESG; Green Is The New Black

Highlights

- Green Practices Guideline (GPG) for the construction sector serves as local indicators for various ESG-related assessments and compliances.
- Various ESG ratings provide clear assessments and better ESG transparency, enhancing commitments.
- Most companies are shown improving ESG commitments, with Gamuda, MRCB and Suncon standing out for their higher ratings and efforts.

Analysis

- Green Practices Guideline (GPG) for construction sector.** The Malaysian Green Technology and Climate Change Corporation (MGTC) introduced the GPG for the construction sector in 2023. The green construction guideline covers key indicators such as Materials, Waste, Water, Energy, Innovation, and Management. These indicators align with the prime objectives of Malaysia's Green Technology Master Plan (GTMP) 2017-2030, which are the core indicators that we are basing our sustainability assessment for the Malaysian construction sector on.
- National policies and guidelines for construction sector.** The Malaysian construction sector follows a framework of national guidelines and policies for construction practises, such as the National Policy on the Environment (Dasar Alam Sekitar Negara), Environmental Quality Act 1974, Construction Industry Development Board Act 1994 (Act 520), Sustainable Construction Guidelines, Green Building Index (GBI), ISO Standards, and Malaysian Standard: MS1525:2019.
- Ratings as an indicator, pushing ESG standards.** Drawing parallels to various ESG ratings such as the Bursa Malaysia's FTSE4Good, ISS-ESG, MSCI, Sustainalytics, S&P Global ESG Scores, Bloomberg and others, we observed a trend in improving sustainability efforts by local public listed construction companies under our coverage. This is also boosted by Bursa Malaysia's requirement for public listed companies to include a sustainability statement within their annual reports, aligning with the IRS Sustainability Disclosure Standards and enhancing transparency in ESG commitments.
- Sector showing strong efforts in ESG commitments; brownie points to Gamuda and Suncon.** From our preliminary assessments on the companies under our coverage, we observed strong commitments and growing trends of ESG efforts by all the companies. Gamuda, MRCB and Suncon stood out for higher ratings from different platforms, besides intensifying focus in carbon reduction, building green projects, and involvement in various renewable energy projects.

OVERWEIGHT
(Maintained)

Analyst(s)

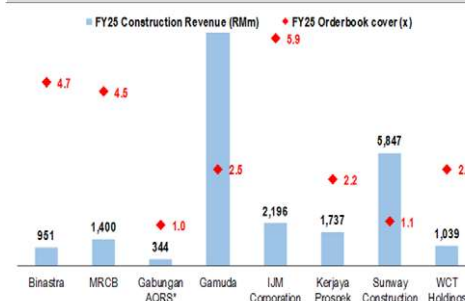
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Construction Firms' Orderbook Cover



Source: UOB Kay Hian

Valuations And Target Price

Company	Ratings	Implied Valuations	Implied TP (RM)
Binastra	BUY	16.8x FY27F PE (mean)	2.61
Gamuda	HOLD	22x FY26F PE (+1.5SD above mean)	5.75
Sunway Construction	HOLD	22x 2026F PE (+1SD above mean)	6.27
IJM Corp	HOLD	21x 2026F PE (+0.25SD above mean)	3.10
Kerjaya Prospek Group	BUY	13x 2026F PE (+0.5SD above mean)	2.39
WCT	HOLD	15.7x 2026F PE (+0.25SD below mean)	0.89
Malaysian Resources	HOLD	21x 2026F PE (-1SD below mean)	0.46

Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Share Price 26 Sep 25 (RM)	Target Price (RM)	Market Cap (US\$m)	PE			P/B			2026F Div Yield (%)
						FY25F (x)	FY26F (x)	FY27F (x)	FY25F (x)	FY26F (x)	FY27F (x)	
Binastra Corporation	BNASTRA MK	BUY	2.31	2.61	597.0	26.9	18.9	14.9	10.2	9.1	7.0	2.6
Gamuda	GAM MK	HOLD	5.61	5.75	7,774.2	29.9	22.0	18.3	2.5	2.4	2.2	2.6
IJM Corporation	IJM MK	HOLD	2.83	3.10	2446.8	19.4	17.8	15.8	1.0	0.9	0.9	3.7
Kerjaya Prospek Group	KPG MK	BUY	2.47	2.39	741.9	15.1	13.2	12.4	2.4	2.3	2.1	4.8
Malaysian Resources Corporation	MRC MK	HOLD	0.535	0.46	566.0	50.6	69.5	23.6	0.4	0.4	0.4	2.0
Sunway Construction Group	SCGB MK	HOLD	5.99	6.27	1,866.6	22.4	21.6	20.6	7.8	6.8	6.0	2.8
WCT Holdings	WCTHG MK	HOLD	0.83	0.89	306.9	20.2	14.6	15.4	0.3	0.3	0.3	0.0

Sources: Bloomberg, UOB Kay Hian

ESG Summary

Companies	Key ESG Highlights	Ratings
Binastra Corporation	<u>Environmental:</u> - Dedication to green building practices with adoption of GreenRE and Green Building Index (GBI) standards across key projects. - 459.1 tonnes of waste recycled and diverted from landfills in FY25. - Zero fines of major non-compliance environmental cases at all sites. <u>Social:</u> - More than RM170,000 invested in various Corporate Social Responsibility activities. - Zero human rights violation or fatalities at all sites. <u>Governance:</u> - Strictly adheres to regulatory compliances such as Environmental Quality Act 1974, Occupational Safety and Health (Amendment) Act 2022, Construction Industry Development Board Act 1994 . - Ensuring more than 80% of employees underwent compliance and ethics training.	- Three stars in FTSE4Good ESG Rating
Gamuda	<u>Environmental:</u> - Reducing direct and indirect corporate greenhouse gases emission intensity by 30% in 2025, and by 45% in 2030. - Installed 11,252 solar panels in 17 sites, generating 5,722 kWp renewable energy. - 34,128,360 kWh of green power subscription in Malaysia and Australia. <u>Social:</u> - Gamuda Scholarship awarded RM30m through 123 scholarships in 2024. - Gender diversification and inclusivity with 35% female in overall workforce and invested over A\$47m in 76 aboriginal businesses. <u>Governance:</u> - Enforcement of Anti-Bribery and Corruption (AB&C) Policy, Whistleblowing Policy and Procedure (WBPP) and Code of Business Ethics (COBE). - Attained the ISO/IEC 27001:2022 for cybersecurity, a globally recognised standard of excellence for information systems management accredited by the British Standards Institute (BSI).	- Bloomberg ESG Score Percentile of 95.10 - MSCI ESG Rating of AA - Only construction company in Malaysia to receive "Prime Status" by ISS ESG rating. - Three stars in FTSE4Good ESG Rating
IJM Corporation	<u>Environmental:</u> - 8,494.5 tonnes of waste reused and reused in FY25. - Industrial division increased usage of non-cementitious alternatives to 14.1% in FY25, resulting in 4.7% reduction in Scope 3 emissions. <u>Social:</u> - Invested RM2.6m in employee learning and development across 143,000 training hours. - Committed a minimum of 1% PAT to community investment, allocating RM3.7m to CSR initiatives. - Zero reports concerning human rights violations or fatalities in FY25. <u>Governance:</u> - All active projects across construction, industrial, and infrastructure segments are ISO 45001:2018 certified with safety and health data audited and verified by the Standard and Industrial Research Institute of Malaysia (SIRIM). - All operating divisions within the Group maintain the ISO 9001:2015 Quality Management System certification.	- Bloomberg ESG Score Percentile of 82.70 - Three stars in FTSE4Good ESG Rating
Kerjaya Prospek Group	<u>Environmental:</u> - Certified and registered against provisions of ISO 14001:2015. - 63,119 kWh of excess energy contributed back to TNB's grid via PV power generation systems at Ijok factory. - 6.7% reduction yoy in Scope 1 and 2 emissions in 2024. <u>Social:</u> - Well diversified workforce in terms of gender: female (46%) and male (54%). - Over RM260,000 contributed to CSR engagement in 2024. <u>Governance:</u> - 100% of office employees received anti-corruption and bribery training. - Zero incidents of IT or customer data breaches since 2022.	- Three stars in FTSE4Good ESG Rating

Companies	Key ESG Highlights	Ratings
Malaysian Resources Corporation	<u>Environmental:</u> - 23% reduction in GHG emissions intensity for Scope 1 and 2 in 2024 vs 2020 baseline. - Aligned sustainability reporting in 2024 annual report to IFRS S1 and IFRS S2. <u>Social:</u> - Promoting balanced leadership through diversity with 38% female board representation. <u>Governance</u> - MRCB's Anti-Bribery Management System, ISO 37001:2016 certification; reinforces commitment to combating bribery and corruption, ensuring compliance.	- Bloomberg ESG Score Percentile of 85.10 - MSCI ESG Rating of AA - Four stars in FTSE4Good ESG Rating
Sunway Construction Group	<u>Environmental:</u> - Developed clear roadmap to achieve net zero carbon emissions by 2050. - Initiated reporting on emissions per revenue and on track for 45% reduction in carbon emissions. - Generated 12,933 MWh of renewable energy generated across all properties in 2024. <u>Social:</u> - Contributed more than RM5.7m to communities in 2024. - More than 60,000 beneficiaries impacted through various community projects. <u>Governance</u> - Zero fatality rate across all projects, zero reported cases of cybersecurity in 2024. - Has an Anti-Bribery and Corruption Task Force that oversees the group's anti-bribery and corruption policies.	- Bloomberg ESG Score Percentile of 98.10 - MSCI ESG Rating of AA - Gold for Best Sustainability Reporting category in the National Annual Corporate Report Awards (NACRA) 2024 - Three stars in FTSE4Good ESG Rating
WCT Holdings	<u>Environmental</u> - 22% reduction in Scope 1 and Scope 2 emissions in 2024. - 52.7% of waste recycled and diverted from disposal in 2024. <u>Social</u> - Over RM2.9m invested into CSR initiatives in 2024. - Supporting local economy as 99% of suppliers are local businesses. - 36% of women were in managerial roles in 2024. <u>Governance</u> - Over half of its board composition consists of independent directors. - More than 75% of employees have undergone anti-corruption training.	- Bloomberg ESG Score Percentile of 69.50 - Four stars in FTSE4Good ESG Rating

Valuation/Recommendation

- **Maintain OVERWEIGHT on the Malaysian construction sector.** We remain sanguine on the sector's outlook, anchored by progressive rollout of selective mega projects and better private job flows throughout 2H25-2026.
- **Our sector top pick is Kerjaya (BUY/TP:RM2.39) and Binastra (BUY/TP:RM2.61).** We mainly like these companies for their below-peer valuations and high orderbook cover ratio (2.2-4.7x).

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